Approved For Release 2011/04/01 : CIA-RDP89-00066R000300090005-8

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 10:00 a.m.
April 25, 1985

STATEMENT OF

WILLIAM J. ANDERSON, DIRECTOR

GENERAL GOVERNMENT DIVISION

BEFORE THE

POST OFFICE AND CIVIL SERVICE COMMITTEE

HOUSE OF REPRESENTATIVES

ON

THE DESIGN OF A NEW RETIREMENT PROGRAM FOR

SPECIAL EMPLOYEE GROUPS COVERED BY SOCIAL SECURITY

Approved For Release 2011/04/01 : CIA-RDP89-00066R000300090005-8

Approved For Release 2011/04/01 : CIA-RDP89-00066R000300090005-8

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss our work as it relates to the design of a new retirement program for special employee groups such as air traffic controllers and law enforcement personnel now covered by social security. The Social Security Amendments of 1983 required all federal civilian employees hired for the first time after December 31, 1983, to participate in social security. The Congress has set January 1, 1986, as the target date for establishing a new retirement program for these employees.

In an appearance before the Committee on April 2, 1985, the Comptroller General suggested that the new retirement program should be patterned after private sector practices. In general, such a program would include a pension plan requiring age 62 as the earliest age at which retirement without penalty would be allowed. Reduced benefits would be available as early as age 55 with 10 years of service. The program would also include a thrift plan with agency matching of a portion of employee contributions to the plan.

A private sector-based program might not be appropriate without some modification for some groups of federal employees. Law enforcement officers, firefighters, air traffic controllers, Park Police, certain Secret Service personnel, central intelligence officers, and Foreign Service officers are now in retirement plans which permit them to retire at earlier ages and with fewer years of service than employees covered by the general civil service retirement provisions. These employees, if they

Approved For Release 2011/04/01 : CIA-RDP89-00066R000300090005-8

Approved For Release 2011/04/01 : CIA-RDP89-00066R000300090005-8

have 20 years of service, are eligible for full benefits at age 50 or younger, and most of them must retire before the age when social security benefits will be available. By contrast, the earliest point at which other federal employees can opt to retire is age 55 with 30 years of service, and they are not subject to mandatory retirement.

The Committee should also be aware that some of the special groups are not in the civil service retirement system. Central intelligence and Foreign Service officers have their own retirement systems. Park Police and Secret Service personnel participate in a District of Columbia retirement system, and are the only federal employees not covered by a federal retirement system.

In a February 1977 report,[1] we questioned the need for special early retirement provisions for federal law enforcement and firefighter personnel and recommended that the Congress reevaluate the need for such preferential benefits. Our position at that time was based, in part, on the fact that the average retirement age for these employees approximated the age when full benefits were available under the regular civil service retirement provisions. However, if the Congress establishes the private sector norm of age 62 as the requirement for full benefits under the new retirement program, this rationale may no longer be relevant.

---

[1] Special Retirement Policy for Federal Law Enforcement and Firefighter Personnel Needs Reevaluation (FPCD-76-97, Feb. 24, 1977).

Approved For Release 2011/04/01 : CIA-RDP89-00066R000300090005-8

Approved For Release 2011/04/01 : CIA-RDP89-00066R000300090005-8

In designing the new retirement system to supplement social security benefits, the Congress may decide to treat new employees currently covered by special early retirement provisions like general civil service employees, in which case no special provisions would be needed. On the other hand, if the Congress wishes to continue early retirement eligibility for these new employees, a means of providing higher benefit levels at earlier ages than allowed for other employees must be incorporated into the new system.

We recently issued a report entitled Options to Consider for Certain Employee Groups in Designing the New Civil Service Retirement Program (GAO/GGD-85-22, Jan. 7, 1985) which identified alternative ways to provide greater benefits at earlier ages for these employees. I would like to offer that report for insertion in the record at this time.

In our report, we identified four options for the Congress to consider if special early retirement eligibility provisions are desired. These options are:

1. Provide the same benefit accrual rate as for general civil service employees but with no reduction for early retirement.
2. Provide a higher benefit accrual rate than that provided general employees.
3. Provide supplemental benefit payments in addition to civil service benefits until age 62 when social

Approved For Release 2011/04/01 : CIA-RDP89-00066R000300090005-8

Approved For Release 2011/04/01 : CIA-RDP89-00066R000300090005-8

security benefits are available. This practice is followed in many nonfederal pension plans.

4. Provide a more generous thrift plan than the plan available to general civil service employees. This alternative assumes that the design of the new retirement program will include a thrift plan. For employees covered by special retirement provisions, the thrift plan could provide a higher rate of employer matching than the rate for regular civil service employees thereby enabling them to accumulate a sufficient amount to afford earlier retirement. If the thrift plan is authorized under a tax deferral arrangement, the burden of employee contributions would be lessened.

The need to design a new retirement program presents the Congress with a unique opportunity to make the special early retirement provisions more uniform among the various groups. Currently, the Park Police and Secret Service personnel in the District of Columbia's retirement system can retire at any age after 20 years of service while law enforcement personnel covered by the civil service retirement system are not eligible to retire before age 50 with 20 years of service. The actual retirement experience reflects these differences with Secret Service personnel retiring at an average age of 46 and Park Police at 48 compared to an average retirement age of 54 for the other law enforcement and firefighter personnel. Ironically, Park Police and Secret Service personnel are subject to a later mandatory retirement age (60) than other federal law enforcement

Approved For Release 2011/04/01 : CIA-RDP89-00066R000300090005-8

Approved For Release 2011/04/01 : CIA-RDP89-00066R000300090005-8

officers (age 55 or 20 years of service whichever is later). In this regard, we noted that the House Select Committee on Aging recently concluded that mandatory retirement of competent law enforcement officers and firefighters is unnecessary and wasteful.[2]

We believe the Congress should take this opportunity to bring the Park Police and Secret Service personnel under a federal retirement system. Retirees under the District system receive post-retirement adjustments tied to pay increases for active duty employees. Consequently, congressional changes to the adjustment process for other federal retirees have not applied to them. Including these employees in a federal retirement system would make their treatment more uniform with other federal employees.

This concludes my prepared remarks. I will be pleased to answer any questions you may have.

---

[2]The Myths and Realities of Age Limits for Law Enforcement and Firefighting Personnel (Committee Publication Number 98-468, December 1984)

Approved For Release 2011/04/01 : CIA-RDP89-00066R000300090005-8